

**Syllabus**  
**Economics 542 – Health Economics**  
**DePaul University**  
**Spring 2021**

**Meeting Time:** Synchronous Zoom class-time Thursdays 5:45pm-7:15pm

**Instructor:** Professor Anthony T. Lo Sasso

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**Course Description and Objectives:**

This course provides a comprehensive overview of topics related to workings of health care markets and determinants of health in high-income countries, particularly the U.S. Health economics is a field in applied microeconomics. Upon completion, successful students will have learned the following:

1. Articulate an economic perspective on health and the health care sector based on an understanding of economic rationale and key analytic economic constructs.
2. Describe and apply economic methodological approaches to the study of health.
3. Understand and assess economic decisions of health care consumers, providers, organizations, and the health care system.
4. Critically evaluate and assess implications for health policy based on economic determinants of the demand/supply of health, health care, and insurance.

**Totally Optional Text:**

*Health Economics* by Bhattacharya, Hyde, & Tu, Palgrave Macmillan, 2014. (Or really any undergrad health econ textbook.)

**Requirements:**

1. Problem sets (contributes 50% to final grade).
2. “Take-home” final exam (contributes 50% to final grade).

**Grading:** A = 93-100, A- = 90-92, B+ = 87-89, B = 83-86, B- = 80-82, C+ = 77-79, C = 73-76,  
C- = 70-72, D+ = 67-69, D = 60-66, F = <60

**Other Information:** You should have firm “micro-foundations” before attempting this class. I will assume familiarity with a minimum level of microeconomics consistent with the intermediate micro level.

Our class D2L site will include course material and readings throughout the term. Lectures will be recorded via Panopto and uploaded to D2L. Students can then find the lecture in D2L and view it. We will “meet” in person (synchronously!) each week via Zoom to review homework, answer questions regarding the lecture material and readings, and other fun stuff. We will also use the Discussion feature in D2L to have active discussions regarding the papers and lectures assigned each week. You will be responsible for viewing each lecture and reading the material. This will require you to actively engage with the material. That might mean taking notes while the lecturing is happening—just like you would in a real, meat-space classroom.

The Discussion board on D2L will be another place where we can “converse” about the material and you can ask questions. If you send me email questions about course material, I will respond by telling you post it. You may of course email me regarding any personal matters as they relate to the course.

A few caveats: It will be more difficult for me to “read the classroom” to get a sense of whether what I’m saying is clear—so you need to help me! I ask that you leave your cameras on during our synchronous sessions if you

are comfortable with that. Please also do your best to help your classmates. Answer questions in the Discussion board when you can. Finally, given the uncertainties in the coming term, technical and otherwise, I reserve the right to modify the syllabus in the event of unforeseen circumstances.

### Course Outline (Final-ish)

<i>Date</i>	<i>Topic/Readings</i>
Week 1	<p>Introduction – why health economics? Demand for health</p> <p>Arrow, Kenneth. Uncertainty and the Welfare Economics of Medical Care, <i>American Economic Review</i> 1963; 53(5):941-973.</p> <p>Grossman, Michael. 2000. “The Human Capital Model,” in eds., Anthony Culyer and Joseph Newhouse, <i>Handbook of Health Economics</i>. North-Holland, Elsevier Science, Chapter 7:347-405.</p>
Week 2	<p>Demand for health care</p> <p>Manning, Willard et al., “Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment,” <i>American Economic Review</i>, 1987, 77(3), 251-177.</p> <p>The RAND Health Insurance Experiment, Three Decades Later Aviva Aron-Dine Liran Einav Amy Finkelstein <i>Journal of Economic Perspectives</i> Vol. 27, No. 1, Winter 2013 (pp. 197-222)</p> <p>Finkelstein, Amy, Sarah Taubman, Bill Wright, Mira Bernstein, Jonathan Gruber, Joseph P. Newhouse, Heidi Allen, and Katherine Baicker, “The Oregon Health Insurance Experiment: Evidence from the First Year,” <i>Quarterly Journal of Economics</i>, 2012, 127(3), 1057-1106.</p>
Week 3-4	<p>Infectious disease, economic epidemiology</p> <p>Philipson, Tomas, “Economics Epidemiology and Infectious Disease,” NBER Working Paper #7037, March 1999. (Also Chapter 33 in <i>Handbook of Health Economics</i>)</p> <p>Auld, M. C. (2003). Choices, beliefs, and infectious disease dynamics. <i>Journal of health economics</i>, 22(3), 361-377.</p> <p>Perrings, C., Castillo-Chavez, C., Chowell, G., et al. (2014). Merging economics and epidemiology to improve the prediction and management of infectious disease. <i>EcoHealth</i>, 11(4), 464–475.</p> <p>Michael Kremer, Integrating Behavioral Choice into Epidemiological Models of AIDS, <i>The Quarterly Journal of Economics</i>, Volume 111, Issue 2, May 1996, Pages 549–573.</p>

Recommended classic: Peltzman, S. (1975). The effects of automobile safety regulation. *Journal of Political Economy*, 83(4), 677-725.

Week 5

Pharmaceuticals, vaccines, and the economics of innovation

Finkelstein, A. (2004). Static and dynamic effects of health policy: Evidence from the vaccine industry. *The Quarterly Journal of Economics*, 119(2), 527-564.

Morton, F. S., & Kyle, M. (2011). Markets for pharmaceutical products. In *Handbook of health economics* (Vol. 2, pp. 763-823). Elsevier.

Goldman, D., & Lakdawalla, D. (2011). Intellectual property, information technology, biomedical research, and marketing of patented products. In *Handbook of health economics* (Vol. 2, pp. 825-872). Elsevier.

DiMasi, Joseph et al. The price of innovation: new estimates of drug development costs. Cost of Innovation in the Pharmaceutical Industry, *Journal of Health Economics* 2003; 22(2):151-185.

Week 6-7

Demand for insurance/Adverse Selection/Moral Hazard

Cutler, David and Richard Zeckhauser, "The Anatomy of Health Insurance," in Anthony J. Culyer and Joseph P. Newhouse, eds., *Handbook of Health Economics*, Amsterdam: North-Holland, 2000.

Cutler, David, and Sarah Reber, "Paying for Health Insurance: The Tradeoff Between Competition and Adverse Selection," *Quarterly Journal of Economics*, 1998, 113(2), 433-466.

Einav, Liran, and Amy Finkelstein, Selection in Insurance Markets: Theory and Empirics in Pictures, *Journal of Economics Perspectives*, 2011, 25(1), 115-138.

Lo Sasso, Anthony T., and Ithai Z. Lurie, "Community Rating and the Market for Private Non-Group Health Insurance," *Journal of Public Economics* 2009;93(1-2): 264-279.

Pauly, Mark The Economics of Moral Hazard: Comment *American Economic Review* 1968; 58(3):531-537.

Arrow, Kenneth. The Economics of Moral Hazard: Further Comment *American Economic Review* 1968; 58(3):537-9.

Kaestner, Robert, and Anthony T. Lo Sasso, "Does Seeing the Doctor More Keep You Out of the Hospital?" *Journal of Health Economics* 2015;39:259-272.

Optional: Akerlof, George A., "The Market for "Lemons": Quality Uncertainty and the Market Mechanism," *Quarterly Journal of Economics*, 1970, 84(3), 488-500.

Optional: Rothschild, Michael and Joseph E. Stiglitz, "Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information", *Quarterly Journal of Economics*, 1976, 90(4), 629-650.

Week 8

Labor market for physicians

Lo Sasso, Anthony T., David Armstrong, Gaetano Forte, and Susan E. Gerber, "Differences In Starting Pay For Men And Women Physicians Persist; Explanations For The Gender Gap Remain Elusive" *Health Affairs* 2020; 39(2): 256-263.

Lo Sasso, Anthony T., Michael R. Richards, Chiu-Fang Chou, and Susan E. Gerber, "The \$16,819 Pay Gap For Newly Trained Physicians: The Unexplained Trend Of Men Earning More Than Women," *Health Affairs* 2011;30(2):193-201.

Jacobson, M.G., Chang, T.Y., Earle, C.C. and Newhouse, J.P., 2017. Physician agency and patient survival. *Journal of economic behavior & organization*, 134, pp.27-47.

Clemens, Jeff and Joshua Gottlieb. Do Physicians' Financial Incentives Affect Treatment Patterns and Patient Health? *American Economic Review* 2014;104(4):1320-49.

Week 9

Hospital industry

Gaynor, M. and Town, R.J., 2011. Competition in health care markets. *Handbook of health economics*, 2, pp.499-637.

Gaynor M, Moreno-Serra R, Propper C. Death by market power: reform, competition, and patient outcomes in the National Health Service. *American Economic Journal: Economic Policy*. 2013 Nov;5(4):134-66.

Clemens J, Gottlieb JD. In the Shadow of a Giant: Medicare's Influence on Private Physician Payments. *J Polit Econ*. 2017 Feb;125(1):1-39.

Pauly, M. and Redisch, M., 1973. The not-for-profit hospital as a physicians' cooperative. *The American Economic Review*, 63(1), pp.87-99.

Week 10

Health technology assessment and economic cost analysis

Tengs, T. O., Adams, M. E., Pliskin, J. S., Safran, D. G., Siegel, J. E., Weinstein, M. C., & Graham, J. D. (1995). Five-hundred life-saving interventions and their cost-effectiveness. *Risk analysis*, 15(3), 369-390.

